

Minutes
Meeting of the Board of Directors
World Resources Institute
September 19-20, 2005
Washington, DC

Attendees: Jim Harmon-Chair, Julia Marton-Lefèvre-Vice Chair, Gay Barclay, Jessica Catto, Leslie Dach, Tish Emerson, José Maria Figueres, David Gergen, Al Gore, Denis Hayes, Aditi Kapoor, Jonathan Lash, Jeff Miller, Ngozi Okonjo-Iweala, Michael Polsky, C.K. Prahalad, Qian Yi, Ted Roosevelt, Bill Ruckelshus, José Sarukhán, Scott Spangler, Gus Speth, Ralph Taylor, Wren Wirth

Staff: Steve Barker, Liz Cook, Ife Dean, Paul Faeth, Vivian Fong, Al Hammond, David Jhirad, Nancy Kete, Jennifer Layke, Dani Mesko, Georgia Moyka, Jonathan Pershing, Janet Ranganathan, Luiz Ros, Frances Seymour, Dan Tunstall

The meeting was called to order at 4:05 p.m. by the Chair, on Monday, September 19, 2005.

Chairman's Welcome and Report

Jim Harmon welcomed members of the Board and introduced the guests in attendance, Chris Sawyer (West Hill Foundation), Bruce and Edie Smart (former Board member), and Nancy Youman (Open Society Institute). He noted that we would occasionally invite special guests with an interest in WRI and its work to attend portions of our meetings.

Mr. Harmon said it was a little less than a year ago that he assumed the Chairmanship of the Board and since then has been delighted to serve with Jonathan and the talented staff of WRI. At that time, he had made a brief summary of what he considered to be some of WRI's assets – its staff, leadership, reputation, and mission - and some of its liabilities – a flat budget, inadequate resources, and high staff turnover. A year later, he said, he doesn't feel much differently except now he has a greater appreciation for all the hard work of his predecessor and of the WRI staff who have brought it to its current level of achievement, noting that the results this year are really remarkable considering our limited resources. He said a lot of effort has gone into determining our appropriate goals and how to make a difference and that we have been able to produce some outcomes that are quite impressive. However, he has to conclude that were we to have greater resources, especially unrestricted funds, we could accomplish that much more.

Mr. Harmon said it's been a good year, noting progress in other areas, beyond the outcomes. We have expanded the Board, formed an effective Executive Committee that meets monthly, made some significant staff changes, and have started to build some momentum in being able to raise significant resources. Also, we produced our capacity plan, which was approved by the Board, and set forth a

plan to carry out our work. But we must have the resources to make a difference, especially unrestricted funds to build the development and communications functions. We are strong in terms of our mission and goals, and in terms of staff talent and strong leadership, but not successful in raising adequate resources. He said he is confident that, with the help of the Board, we will get there. It may require making modest mid-course adjustments in some of the style and way we do things in order to build the resources we need.

President's Report

Jonathan Lash welcomed members and thanked guests for coming. He expressed appreciation to the Board for their support and willingness to invest in WRI and noted their growing role in shaping the organization and in contributing to some of our outcomes.

Mr. Lash said he would first talk about the external part of WRI, what we've been doing this past year; and second, about the internal part, our organizational progress. He explained that our unique mission – to move human society to live in ways that are different from today – is a commitment to change and that we are successful only if we play a role in changing events. After some review of WRI's goals and objectives and our strategy to achieve them, Mr. Lash cited four examples of where WRI has achieved real systemic change: our work with GFW Russia in protecting Russia's important forest conservation areas; the work of Embarq's Center for Sustainable Transportation in creating a bus rapid transport system in Mexico City; our collaboration with Merrill Lynch in publishing a report on how environmental opportunities and risk can impact the auto industry; and WRI's role in the Millennium Ecosystem Assessment, a global assessment of the earth's ecosystems that has changed the way people think about ecosystems. All represent real outcomes that are fairly scaleable and demonstrate strategies that focus on markets, incentives, and norms that represent the kinds of basic systems that effect outcomes, on policy and governance practices, on changing alliances and understanding, and on the interaction of human beings and human needs and ecosystems.

Mr. Lash went on to say that WRI was especially interested in making the connection between the analysis of the MEA and the needs of the poor and thus decided to make it the focus of the 2005 *World Resources Report*. He said the whole discussion of poverty has been elevated this year, in part because of the review by the General Assembly of the MDGs and in part because PM Blair made it a focus at the G8 Summit. Progress over the last two decades has been concentrated in a few countries and largely in urban areas. Seventy-five percent of the poor are rural poor and are not reached by programs of debt relief or large-scale infrastructure projects. In fact, they are almost entirely dependent on ecosystems for their well being while half of all jobs worldwide are directly ecosystem dependent, and for the rural poor, it is almost all jobs. Damage to ecosystems is damage to their wellbeing. There is a close connection between the quality of governance in addressing these issues and

the management of ecosystems, quality of ecosystem management and human wellbeing. The *WRR* has a number of case studies of places where a triple win has been achieved where people are given control through their own resources and incentives to improve management of ecosystems with the result that they both have sharp increases in income, with improved environmental results and the beginnings of different governance patterns, and reflected on a local level.

There is tremendous opportunity in follow up on the MEA, representing an opportunity for engagement and talking to the private sector about their impact on ecosystems. The outcome is clearly systemic and scaleable and exactly where we should be and reflects the quality of work that WRI should aspire to. We were able to connect to an incredible range of partners to make things happen.

Al Gore asked what percentage of that overall improvement is in urban China and Mr. Lash responded now more than 50% and went on to note that Africa has lost ground; Latin America has made no progress; some of E. Europe has lost ground; and most of the improvement has been in Indonesia.

Ted Roosevelt said he thought the presentation was very good and thinks there should be some way to get it onto a 2-page letter that we can use as an example of what we do, and a way of getting our message out.

Climate Change Presentation and Discussion

Jonathan Pershing, Director of WRI's Climate, Energy, and Pollution Program, introduced CEP staff and explained that climate is one of those cross-cutting issues that involves governance, forestry, bio resources, enterprise program, and energy and climate. He said climate change today is very much about urgency and scale, and that WRI has a set of goals to frame the issue and has had some successes that indicate we are on the right track.

Dr. Pershing noted that greenhouse gas emissions are growing worldwide and consequently global temperature trends are going up enormously. He said it is staggering to think about changes of this magnitude taking place just over the last 100-150 years. We have the science that links the intensity of hurricanes to global warming, and the trend is very clear that warmer water generates more intense hurricanes, and we've got both. The goal we have set for the Institute is to protect the global climate, to protect it from further harm by reducing greenhouse gas emissions and by helping humanity and the natural world adapt to unavoidable climate change. We've framed it into two objectives: the international and the domestic. And we are trying to create a process by which we can measure and monitor our progress.

WRI's role is that of facilitator and convener. We provide ideas, data, analysis, and technical skill to support the decision-making of those who can effect change. Internationally, WRI contributed to the discussion at the G8 Summit in an

advisory capacity by providing input into PM Blair's policy paper. We work with individual countries to help them understand what they can gain by implementing voluntary national programs to contain or reduce GHG emissions.

Domestically, climate change is a huge challenge because of the current administration's lack of will in addressing the issue. There are, however, examples of independent actions being taken to move things forward, such as the Regional Greenhouse Gas Initiative, a movement by nine Northeast states to collectively take measures to reduce GHG emissions; and the Ecomagination business strategy recently launched by GE that will focus on new technologies specifically to address the environmental challenges today, including climate change. Such efforts are expected to expand and will bring pressure on the administration to accept a national climate policy that is both politically and economically favorable. This in turn will improve progress at the international level.

WRI's program success will be gauged in terms of the state of the international treaties; a domestic climate policy, and new transport solutions in the developing world. At this time, we want to ask the Board for their feedback on our approach and ask members to help us make the connections we need to support our efforts.

Leslie Dach commented that WRI must make a decision to build on our success with GE and thus be proactive in seeking similar opportunities. Mr. Lash agreed but added that we need to select the ones where we think we best demonstrate why we are there and why we have some leverage. He also pointed out how effective networking can be noting that WRI got invited to the table by GE because of its connection to Edelman. Bruce Smart said the problems today are such that they will be solved only by forging partnerships with industrialists and we need to go after them. Gus Speth asked if there is some way to get companies to move beyond what they are doing internally and somehow become engaged in the political process by actively supporting action at the national level, perhaps a coalition to support national leadership. Mr. Gore suggested putting in place a system that would track companies that have made public commitments on such issues as climate change. He also asked if it wouldn't be worthwhile devising some kind of a microstrategy targeting individual board members and major investors of these companies, to approach them on a personal level and help push them to make the shift within. Jonathan said Rob Bradley was engaged in an effort to try to identify what it is in a company that moves it to make that shift, and it seems that reaching people within (mid-level staff) who are committed to the issue is key.

The meeting adjourned at 6:40 p.m.

Tuesday, September 20

Chairman's Overview

Mr. Harmon welcomed members to the second day of the meeting and noted that new member Minister Ngozi Okonjo-Iweala would soon be joining them. Mr. Harmon reviewed the agenda and the schedule of meetings, and the **Board approved the March 14-15, 2005, meeting minutes**. Mr. Lash noted the tentative plan for a Board retreat in October 2006.

Development Report

Liz Cook, VP for Institutional Strategy and Development, gave a development report. She said FY05 was a very good year in fundraising and that we expect to bring in a total \$22M in funds raised by the close of FY05, which represents a 35% growth in fundraising capacity. However, in order to have the impact we want, we will have to sustain that growth.

Ms. Cook started with reviewing the implementation of some of the key recommendations of the capacity plan: to increase teamwork between program staff and the Development department; to develop new fundraising tools; and to get stronger engagement with the Board in our fundraising strategy. The main thrust of the capacity plan is that we have to raise more money and at the same time reduce the burden on program staff. To do this, we have launched what we call "fundraising by objectives," a game plan to raise funds by sector for each of the nine objectives, developed by the Development staff in collaboration with the programs. To be more effective, at the suggestion of the Board, we are developing brief, powerful messages to simplify the way we talk about our work, which can be used by staff and Board to get our message across. Ms. Cook also pointed out the great asset members of our Board have been to WRI's fundraising efforts this year, especially Jim Harmon's active engagement, and expressed hope that members would increase their commitment to helping us raise funds.

In reviewing funds raised in FY05, Ms. Cook said overall fundraising and revenue have gone up over the last three fiscal years. Revenue trends this year show that 75% of our funds this fiscal year came from government sources - bilaterals, multilaterals and U.S. This sector consistently provides a very big return on our investment and continues to be a potential for continued growth. Foundation giving was flat from last year, and corporate funding actually went down a little, but both sources of revenue are extremely important to WRI, and we think there are many opportunities for increased corporate giving, especially through Board members' relationships. The amount of individual giving is smaller than we'd like it to be, having declined from levels in FY03 and FY04, apart from individual Board members' contributions. It has been a challenge for us to secure large individual gifts, and we need to rethink our strategy. Key needs now include approving the

budget for Development and expanding that department; raising unrestricted funds, a \$1.5M challenge in FY06, in order to support scaling up of our development and communications efforts; create a Board Development Committee; and get Board help with message development for outreach with individuals.

Mr. Harmon remarked that we are changing the culture of fundraising. He said it's hard because development is often perceived as an area not as important as the program area, and we have to change that. We are making progress but have a long way to go. There followed some Board discussion about WRI's relationship with the private sector. Jonathan suggested it would be helpful to the Board if we sent them a summary of the kinds of engagement we have with the private sector.

Finance Committee Report

Jeff Miller reported on the status of WRI's endowment fund. At the end of July, the endowment was worth \$38.5M, an increase of \$1.0M from a year ago, and is doing well in terms of performance. At the end of July we had a deficit of nearly \$800,000, part a result of the BoP conference and part because of under-recovery of our overhead costs, a recurring problem for us. As a result we will have to draw down \$600,000 from the reserve fund, and may have to go into the endowment if program spending doesn't increase, enabling us to allocate our overhead costs.

The Finance Committee has provisionally approved a budget of \$21.4M for FY06, an increase of 3.8% from FY05, reflecting an increase in our unrestricted contribution requirements. It is a modest increase but will require us to step up. We currently have 80% of the basic programs covered, which is on track. The challenge will be getting the unrestricted funds we need.

Steve Barker, WRI's new CFO, reported on WRI's current and projected financial status. He said our real growth rate is less than 1% a year and the challenge is to grow our programs faster than the rate of inflation. Our overhead rates continue to climb, and in order to afford our basic infrastructure costs, WRI needs to grow. Without program growth, by 2009 our overhead rate will increase from 40% to 46%. With program growth in the 10-15% range, our overhead rate will be in the 30-35% range by 2009. Growth is obviously a primary goal in FY06.

In going forward with the FY06 budget we assumed that we will be able to raise the \$1.5M in unrestricted money that we need to support our development efforts, and that USAID will approve the higher overhead rate. Also, Mr. Barker noted that the Millennium Assessment project is wrapping up this year but we have been able to replace that spending plus have a modest increase for FY06 over FY05.

The FY05 forecast looks like we will have about \$1.2M in under-spending by the programs, which is causing our under-recovery in overhead expenses. We do not expect to have year-end program deficits as a result of insufficient funds. We expect to come in at year-end under the Board approved budget by 5%, but we should be

able to cover our projected deficit from the reserve. However, should the programs continue to under spend, we could need to take money from the endowment to cover the deficit.

The following resolutions were passed by the Board:

Resolution to approve the FY06 WRI budget as submitted; and

Resolution to authorize the Secretary-Treasurer in FY2006 to make a transfer from the endowment fund to WRI's operating account, not to exceed 5 percent of the average market value of the assets over the past 12 quarters, ending September 30, 2005.

Markets and Enterprise Goal Presentation and Discussion

Jonathan Lash introduced Luiz Ros, Director of the Sustainable Enterprise Program (SEP) and steward of the sustainable enterprise goal. Mr. Ros said the markets and enterprise goal aims to harness markets and enterprise to expand economic opportunity and protect the environment. He said if you want to change society, you must engage the private sector. Private enterprise has an enormous influence on human and economic development. We want to show business how they can achieve success by practicing sustainability. Our challenge is how to bring them to sustainability, how to engage them, how to help them identify the business opportunities that will empower them to grow into something that is sustainable and more valuable. We currently have a portfolio of over 100 companies that we support in India, Mexico, Brazil, China, and Indonesia, representing an investment of \$10 million. Mr. Ros explained that this is not just about supporting individual companies but about transforming the market by influencing the way key players do business. Outcomes include the success of a wild rubber enterprise in the Amazon that employs 200 families, an example of empowering local entrepreneurs; our work at the Base of the Pyramid, including 3 major conferences that reached over 2000 people in 3 countries, which demonstrates how WRI is setting the agenda in business growth and innovation; and WRI's collaboration with Merrill Lynch to produce a report on how climate change and energy security impacts the global automotive industry, a first example of an NGO working collaboratively with a major corporation to influence financial markets. Mr. Ros said that now WRI needs to think in a much more strategic way about how it can really take its works to scale in its country platforms. It requires brand recognition, fundraising, scalability, and expanding the knowledge base.

Some Board discussion followed about the financial dimension v. the social and environmental, and how WRI stays true to its goals and values while working so closely with large multinational corporations, and about the challenges for investors of going to scale and the pitfalls of not succeeding, for them and for WRI. Mr. Lash pointed out that the idea is that these companies can improve peoples' lives and make money if they do it right, but what interests us is the change in behavior. For

the small to medium companies that are part of New Ventures, the idea is if you can seed the economy with entrepreneurs who are creating sustainable ventures, not just financially, but that have some positive social and environmental impact, it can be huge.

Change in Agenda

Jim Harmon noted at this time that instead of proceeding with the Nominating Committee report, he was asking David Gergen to make some comments on communications and the global warming issue.

Mr. Gergen said that Katrina had opened a window for the public to be more aware not only of poverty but of global warming and could be much more open to persuasion now, seeing the financial and human costs up close. And with the science to back it up, we have to think about what WRI can do in concert with other environmental groups to influence that public thinking. Mr. Gore commented that Jonathan Lash and Jim Harmon have been involved in a quiet, behind-the-scenes effort that he has helped facilitate to do just that. He said it is completely different from any dialog that has taken place before, but with a little time, it is going to work. Mr. Lash added that it is an effort to develop a very large, broad-scale message and we now have the opportunity to get it outside the environmental ghetto. Mr. Gergen recommended that as this effort comes to fruition, there be a Board conference call to talk about and explore WRI's role. He said WRI needs to be aggressive in getting out front and maintaining a high-profile on the issue, which will benefit us in other ways, such as credibility, outreach, and fundraising. He said the issues of race, poverty, and the environment are way up on top right now and that large segments of the population are open to arguments today in a way they haven't been before. Ms. Kapoor noted the need for WRI to have an integrated communications plan so it is positioned to respond immediately to these types of disasters.

Nominating Committee Report

Wren Wirth presented the Nominating Committee Report. First, she welcomed Minister Ngozi Okonjo-Iweala from Nigeria and told her how pleased the Board was to have her here.

Ms. Wirth said the Nominating Committee has been very busy and referred members to the two sets of minutes at Tab F in the agenda book. The Committee has been active primarily in three areas: determining the composition of the board; identifying and approaching prospective new members; and creating a strategy for optimizing Board participation. It has agreed on several basic priorities: diversity, e.g., trying to recruit more women; increasing international representation, namely from Russia, Indonesia and Europe; increasing scientific representation and in the areas of communications and fundraising; and seeking appropriate political representation. She noted that Mr. Lash would be visiting two prospective members next week, Diana Wall, a world-class scientist at Colorado State University, and

Gretchen Long, a philanthropist with special interest in land conservation, in Wyoming.

Ms. Wirth said the Committee is asking all members to complete a self-evaluation form to help us determine members' interests and levels of involvement, and to seek members' feedback and advice. We want to tap into the strengths of our Board members and know how to more effectively engage them. The Committee is making every effort to build a fully active, participatory Board. She also stressed the need for Board members to help in recruiting new members by being vigilante in identifying prospective candidates and bringing them to the attention of the Committee.

President's Report – Part II

Jonathan Lash said his presentation today would focus more on WRI internally and referred members to Paul Faeth's memo in the Program Book, which is relevant here. He said the discussion in the last couple of days has focused on WRI's unique analytical role of putting ideas into action, and he wanted to give examples of how that has played out. Recently WRI did some policy work on environmental taxes in partnership with Brookings Institution. Initially Brookings was somewhat uncomfortable with our approach because we did not fit their image of the traditional role of think tank, which only underscores who we are and how we operate. Also, WRI has been a member of an environmental trade association called the Green Group, which often circulates letters for group sign-ons, something we never do. Nor do we go to group meetings or travel in a pack. We speak out on issues that serve our independence and because of that, our participation is valued. And one final example, in a conversation with a journalist recently, he was trying very hard to figure out if WRI is a liberal or a conservative think tank, the answer being neither, of course. We don't fit neatly into any mold and here the value is you have to draw your own conclusions.

At this point, Mr. Lash turned the presentation over to Paul Faeth, who gave an update on the status of managing for results. Mr. Faeth said this process, which we started some three years ago, is now fully in place. We have weeded out a number of projects and the ones remaining, which support our four goals, are targeted for scaling up. Last year we completed our goal strategies and we have finished the process of naming our nine institutional objectives. As we proceed with the execution of our work, we expect to achieve even more outcomes. In terms of outcomes, there is a list of the top ten that we are especially proud of. Some have been notable, such as in Mexico City, where we have achieved outcomes at the objective level for the first time. This past year we have managed to scale up in our climate and access goal areas. We have completed our institutional capacity plan and look forward to implementing it in the areas of development and communications. In large part, thanks to the Board staff training fund, staff turnover has been greatly reduced from last year. Next steps of scaling up include four really key things that we have to do: 1) raise more unrestricted dollars, 2) hit our milestones – we have to

execute our plans well, 3) manage risk while being innovative, and 4) devise strategies so we can achieve the outcomes we want. Mr. Faeth said overall it's been a very good year with more ups than downs.

Mr. Lash made two additional points about communications. He pointed out how media training for staff was one of the most significant areas of expenditures as far as getting results. And he talked about the Stephan Schmidheiny funding to reinvent think tank communications, which has generated the idea of putting together a charette of talented, creative people to reinvent the whole communications model. He said he would be calling on Board members to help WRI incorporate the radical ideas that emerge from this exciting and innovative initiative. Mr. Lash finished his remarks by saying that what started out as discussion at Wye, resulted in the capacity plan, which has produced the results that we see now.

Paul Faeth drew attention to the handout on WRI's performance evaluation on its PP10 commitments, its transparency initiative as required by the Board.

Program Committee Report and Discussion in Breakout Groups

Mr. Harmon explained that members now would split up into two breakout groups, each to discuss one of the goals not presented at this meeting: the Access goal, and the People and Ecosystems goal. Mr. Harmon turned the floor over to José Sarukhán, Program Committee Chair.

Dr. Sarukhán thanked the Chairman and said the Program Committee had met earlier that morning. He said the Committee feels that the four goals provide a more useful, clear, and efficient way to organize our projects, are better focused on the substantive issues of sustainable development globally, have changed the way we think about and approach our work, and reflect WRI's far-sighted strategy and vision. He said this was exemplified by the outcome of the Millennium Ecosystem Assessment, but noted we still need to do better in our communications efforts. He stressed the international scope of WRI's work and thus, the desirability of retaining a balanced Board. He asked members to consider all this when discussing a specific goal in the break-out sessions.

Ms. Wirth asked about any continuing work coming out of the MEA. Mr. Lash said there is a concerted effort at outreach organized around the report and a number of follow up projects are being undertaken by several organizations, including WRI, at the country level and in the private sector.

Frances Seymour reported back on the Access Goal discussion and David Jhirad on the Ecosystems Goal discussion. Mr. Gore suggested creating environmental data information maps as a way of providing access to information, perhaps with assistance from the Google Foundation.

The Board went into closed executive session at 2:30 p.m.

Steve Barker
Corporate Secretary-Treasurer